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Lydall, Inc. NYSE:LDL

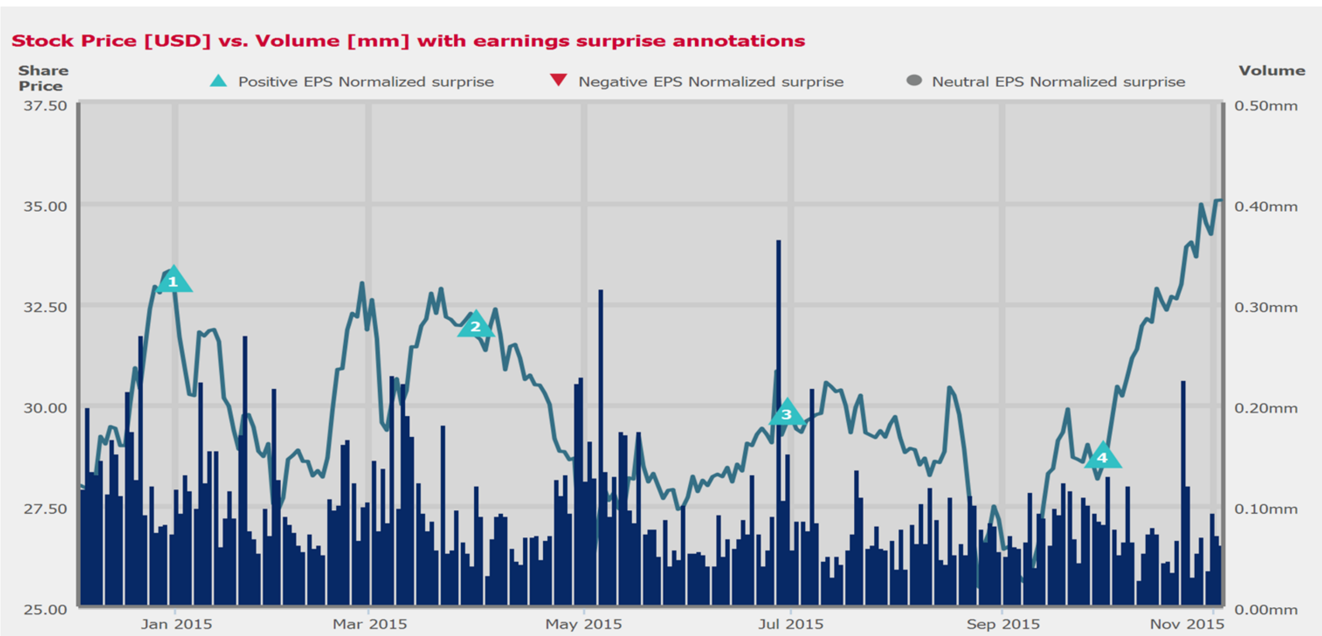
FQ4 2015 Earnings Call Transcripts

Thursday, February 25, 2016 4:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2015-			-FQ1 2016-	-FY 2015-			-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.46	0.46	▼(2.13 %)	0.51	2.11	2.10	▼(0.47 %)	2.30
Revenue (mm)	126.37	131.40	▲3.98	133.38	519.48	524.50	▲0.97	549.16

Currency: USD
Consensus as of Feb-25-2016 1:51 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ4 2014	0.30	0.33	▲1 10.00 %
FQ1 2015	0.40	0.42	▲2 5.00 %
FQ2 2015	0.47	0.64	▲3 36.17 %
FQ3 2015	0.49	0.59	▲4 20.41 %

Call Participants

EXECUTIVES

Dale G. Barnhart
Chief Executive Officer, President and Director

David D. Glenn
Vice President of Business Development and Investor Relations

Scott M. Deakin
Chief Financial Officer and Executive Vice President

ANALYSTS

Edward Marshall
Sidoti & Company, LLC

Robert S. Majek
CJS Securities, Inc.

Presentation

Operator

Good morning, and welcome to the Lydall Announces Fourth Quarter and Year-End 2015 Results Conference Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to David Glenn. Please go ahead, sir.

David D. Glenn
Vice President of Business Development and Investor Relations

Thank you, Denise. Good morning, everyone, and welcome to Lydall's 2015 Fourth Quarter Earnings Conference Call. Joining me on today's call are Dale Barnhart, President and Chief Executive Officer; and Scott Deakin, Executive Vice President and Chief Financial Officer. Dale will start the call with comments about the continued progress we're making in executing our long-term strategy and provide an overview of current business conditions. Scott will follow with the summary of our financial performance and discuss the key drivers by segment. Once complete, we'll open the line for questions.

As you may be aware, our quarterly earnings were released yesterday. So you can follow along with today's call, please reference the presentation slides entitled Q4 2015 Earnings Conference Call, which can be found at Lydall.com in the Investor Relations section.

As noted on Slide 2 of this presentation, any comments made on this conference call that may constitute forward-looking statements are made available pursuant to the safe harbor provision as defined in the securities laws. Please also refer to Lydall's annual report on Form 10-K under cautionary note concerning forward-looking statements for further information.

In addition, during this conference call, we'll be making reference to non-GAAP financial measures. A reconciliation to GAAP financials can be found in the appendix of the presentation I just referenced. With that, I'll turn the call over to Dale.

Dale G. Barnhart
Chief Executive Officer, President and Director

Thank you, David. Good morning, everyone, and thank you for joining us today. I am very pleased to report we had another strong quarter and a great 2015 during which we delivered record earnings. This consistent year-on-year -- year-over-year progress we have made gives me continued confidence that we're on the right track to achieve our 2018 long-term vision for profitable growth that includes the goal of $800 million in revenue and an operating margin target of 15%.

Slide 3 outlines the key takeaways for both the year and the quarter. I will cover the key points for 2015, and Scott will take you through the fourth quarter results when he provides a more detailed summary of our financial performance.

Total net sales year-on-year increased 1.3% to $522.8 million, excluding the impact of the divestiture that we completed in the first quarter of 2015. As we have experienced for most of the year, foreign currency translation had an unfavorable impact of nearly 5%. Adjusting for these factors, we delivered organic growth of 3% for the consolidated company. This was tempered, given the challenging year in our Performance Materials segment, which was down approximately 6% organically. Importantly, all of our other segments experienced very strong organic growth ranging from 7% to 11% year-over-year.

With respect to profitability, adjusted gross margin increased by 180 basis points to 23.3% and adjusted operating margin improved 160 basis points to 10.3% over the prior year. This performance reflects favorable product mix, lower raw material cost, continuous improvement through Lean Six Sigma and execution on our synergy programs within Industrial Filtration.

For the full year, adjusted EPS, which excludes onetime nonrecurring expenses, was a record $2.10 per share, an increase of 20.7% over the prior year.

Moving on to a few other matters. In the fourth quarter, the company recorded a $1.4 million noncash intangible asset impairment charge relating to our Solutech operation, which is part of our Performance Materials segment. Since the 2008 acquisition of this technology, we have been working on commercializing membrane filtration products. Because of delays in the ramp up of these products on several key applications, accounting requirements let us to record this impairment charge in the fourth quarter. This charge notwithstanding, we still believe in the technology for use in filtration as our membrane has high flow rate, ability to capture more particles due to its depth and a superior ability to repel oil and water. We continue to work on driving adoption of Arioso for intake filtration in natural gas-fired turbines, and we are pursuing other opportunities, including applications for a high-end vehicle cabin air filtration and energy storage, both of which are in late-stage development and product qualification.

Second, with respect to the ongoing and previously mentioned investigation related to the possible violations of German antitrust laws, we continue to work with the German Federal Cartel Office. The investigation is progressing, and we are hopeful that we will have more substantive update on this matter sometime later this year. Despite our regular communications with the German authorities, we are still unable to estimate either the timing or the amount of the liability associated with the matter. But we will continue to provide updates, should there be any material developments.

Third. During 2015, we spent $20.6 million deploying capital. This level was approximately 50% higher than we spent the previous year, and we anticipate the spending at this greater rate will continue in 2016. Our additional investments are focused on attractive growth and productivity opportunities that will begin to materialize in 2016 and position us well for future success. One of the largest investments was for a state-of-the-art high-speed line to support our Metals segment being awarded new business in North America from Fiat Chrysler and Honda.

Turning to Slide 4. This is an overview of our long-term growth strategy, which includes 4 key drivers: new product development, Lean Six Sigma, geographic expansion and M&A.

With respect to new product development, all of our businesses are focusing on developing next-generation solutions. To highlight one example of product innovation, our fiber segment will start delivering an integrated foreign product for the interior cabin of pickup trucks in mid-2016. This product enters us into Class A interior segment, where we will provide our first molded product with surfaces that the consumer can regularly see and touch. Our flooring is a 1-piece molded fiber solution that significantly improves product durability, styling, while also offering acoustical attenuation. We are encouraged by the prospects of extending this Class A capability into additional applications over time.

As it relates to Lean Six Sigma, we continue to identify new ways to operate more efficiently. Our Performance Materials segment is an excellent illustration of this. This business, despite decreased year-on-year top line, was able to achieve gross margin expansion through lean activities, such as reduced machine changeover time and the implementation of pull systems for inventory control. The benefits of these activities will fully be realized once growth in this business accelerates.

As you may have seen, we recently announced that we have hired Paul Marold to be the new president of our Performance Materials segment. Paul brings extensive know-how in filtration industry experience with successful track record in sales, marketing and operational excellence and a proven ability to drive profitable growth. We look forward to his future contributions.

Moving on to geographic expansion. We have been working to ramp up our volume in our Thermal/Acoustic Metals facility in China. While this new facility was a drain on profitability in 2015, we expect, at a minimum, to achieve breakeven for 2016, as we continue to increase part volume in support of new product launches. Consistent with our general operating philosophy, we will continue to be judicious with our capital investment and grow the China business in a measured rate to meet or exceed our operating margin expectation of 15% or greater.

Lastly, with respect to M&A. I have previously communicated both from a financial and organizational resource perspective, we have the means, the wherewithal and strong desire to execute additional acquisitions, primarily in the filtration and specialty engineering materials spaces. With a robust pipeline --

target pipeline and although we cannot predict the timing, we expect to put our balance sheet to good use through selective and well-executed M&A.

Turning to Slide 5. With respect to the business conditions, although it is early in the year, we have seen relatively stable demand for our products to-date at levels consistent with the second half of 2015. Within our automotive business, current visibility suggest that the overall demand in global automotive market remains healthy. Light vehicle production in North America and Europe is forecast to increase in 2016, and our planned new product platform launches throughout the year give me confidence that we'll remain well positioned.

With respect to China, we're excited about the opportunity to ramping up our operations so that we can participate in one of the largest automotive markets in the world.

Looking to our filtration and engineering materials business. Performance Materials shows continuous softness in demand, principally due to the sustained pressure oil is placing on our energy-related products. Consistent with what we saw last year, demand for filtration products in North America has been light and Asia remains challenging as we continue to face highly competitive environment. Conversely, we continue to see -- experience strong demand in Europe.

While the Industrial Filtration business is typically characterized by a strong first half than the second half due to seasonal filtration replacement cycles, we have seen a slightly slower start to the year in North American filtration. We're cautiously optimistic around the timing of orders for these products. Our supply of nonfiltration rolled-good media to our fibers business continues to be very strong.

Before I turn it over to Scott, I want to reiterate we're extremely proud of our performance during 2015, and I would like to congratulate our employees for their terrific execution. As a result of their efforts, we remain on track for achieving our 2018 vision.

With that, I now turn the call over to Scott.

Scott M. Deakin
Chief Financial Officer and Executive Vice President

Thank you, Dale, and good morning, everyone. I'll provide a brief overview of our consolidated financial highlights for the quarter and then speak to the performance of our segments individually.

Turning to Slide 6. Consolidated sales were $131.4 million in the fourth quarter of 2015. Excluding the divestiture of Vital Fluids, unfavorable foreign currency translation and an increase in tooling sales, organic sales grew 6.7% in the fourth quarter of 2015 compared to the fourth quarter of 2014.

Gross margin for the quarter increased 240 basis points to 22.2%. This strong expansion reflects continued favorable product mix, reduced raw material costs, and continued productivity improvements. Our adjusted operating margin for the quarter was 9%, up 270 basis points compared to Q4 2014.

Fourth quarter earnings per diluted share were $0.31 compared to $0.34 of earnings in the prior year. When adjusting for the onetime impact of discrete income tax changes in the previously mentioned noncash intangible asset impairment, earnings per share rose by 39% to $0.46.

For 2015, the reported effective tax rate was 34.9%. Adjusting the rate to exclude onetime nonrecurring items related to state tax law changes, the effective rate would have been closer to 33%. While these tax law changes were unfavorable to 2015, they will have a positive impact on our rate going forward. For 2016, we anticipate our full year effective rate will fall somewhere in the low-30s.

Moving to the balance sheet. Our liquidity continues to remain very strong. Cash at year-end was $75.9 million compared to $62.1 million at year-end 2014. Total debt at the end of the quarter was $20.5 million, which from a leverage perspective, puts us at a debt-to-EBITDA ratio of approximately 0.3x, giving us plenty of financial flexibility. As previously communicated, we continue to feel that we'd be comfortable carrying a leverage up to 2.5x debt-to-EBITDA and are willing to put our balance sheet to good use on selective acquisitions in order to complement organic growth.

Finally, we spent approximately $20.6 million in capital expenditures in 2015, and we expect total capital expenditures to be in the range of $25 million to $30 million in 2016, as we continue to invest at a higher rate than usual in support of attractive growth and productivity opportunities. That concludes my summary level financial review for the fourth quarter, and I'll now walk through the financial highlights by segment.

Turning to Slide 7. I'll start with our Thermal/Acoustical Metals business. Among our most global businesses, metals specializes in providing molded underhood and underbody thermal and acoustical solutions for vehicles. During the fourth quarter 2015, total sales were $41.4 million, an increase of 7.7% compared to Q4 2014. Organic part sales growth of 6.6% in the quarter was strong as foreign currency translation continued to impact the reported results.

For the full year of 2015, segment-level sales declined by 2.2%. Similar to our fourth quarter results, however, organic growth for the full year was [indiscernible] at 6.5%. From a geographic standpoint, the majority of this growth was experienced in North America, given the launch of several new platform applications.

Looking at operating margin performance, segment-level margin decreased to 100 basis points in the fourth quarter to 7.7%, reflecting the near-term impact of greater mix of lower margin tooling sales. For the full year, adjusted operating margin decreased by 60 basis points, impacted by unfavorable tooling sales mix as well as now resolved material sourcing efficiencies at our Chinese operation that occurred primarily in the first half of the year. The China facility in 2015 negatively impacted operating margin for the segment by approximately 120 basis points. As previously indicated, we anticipate that this facility will achieve at least breakeven profitability in 2016.

Slide 8 shows our Thermal/Acoustical Fibers business performance. This segment provides molded acoustical solutions, primarily for vehicle underbody applications and principally in North America. Parts sales increased 21.6% to $34.9 million on the fourth quarter of 2015 compared to the same period in 2014. Quarter-on-quarter growth was driven by robust end-market demand, coupled with a favorable comparison to Q4 2014, as a key customer experienced a planned facility shutdown during that period. Parts sales increased 8.9% to $135.6 million for the full year 2015 compared to the full year 2014.

Organic growth was very strong in both periods at 21.5% and 8.7%, respectively, as we continue to win new business and experience increased demand from the platforms we serve. Operating margin in the quarter of 25.7% and for the full year of 26.7% increased substantially compared to the same periods of 2014. Margin improvements at these levels was primarily due to increased volume and the associated absorption of fixed cost, a favorable mix of product sales and labor efficiencies driven through the progression of Lean Six Sigma.

Moving to Slide 9. I will now cover our Performance Materials segment. This business provides specialty filtration and insulation solutions to a variety of end markets globally. Net sales in the fourth quarter were $23.9 million compared to $27.1 million in the prior year. Excluding foreign currency translation, organic sales declined 7.5%.

For the full year, sales decreased by 12.4% to $101.5 million. And again, excluding foreign currency translation, organic sales declined 6.4%. The reduction in sales for both the quarter and the year is attributable to lower demand across all product segments, driven primarily by softness in North America and Asian filtration markets and lower demand for insulating products that serve energy-related applications.

European growth, however, for this business was solid across all segments in the quarter. Despite reduced sales volumes, segment-level adjusted operating margin increased by 130 basis points to 8.7% in the fourth quarter of 2015 compared to the fourth quarter of 2014. It's driven primarily by the lean-based operational improvement and tight cost controls.

Slide 10 covers Industrial Filtration. This business focuses on providing needle felt filtration solutions, primarily for the global industrial air segment in nonwoven rolled-good media for various commercial applications. The business achieved sales of $34.9 million in the fourth quarter of 2015 and contributed

$139.1 million in total sales for the full year. Organic sales growth for both the quarter and the year was strong at 18.7% and 10.9%, respectively.

Turning to fourth quarter. Increased sales in the U.S. and China offset weaker demand for filtration products in Europe, the latter largely driven by near-term foreign exchange pricing pressure. Sales of north -- excuse me, sales of nonfiltration rolled-good media primarily to our Fiber segment favorably impacted both the current period and full year. Total intercompany sales between these segments was 13.9 -- excuse me, $13.8 million in 2015.

Segment-level operating margin was 6.8% in the quarter, a 150 basis point improvement over the fourth quarter of 2014. For the full year, our operating margin improved 220 basis points to 9.7% over the adjusted 24% operating margin, reflecting increased absorption from our synergy programs with Fibers and also favorable raw material savings.

This concludes my comments. And I'll now turn the call back to Dale.

Dale G. Barnhart
Chief Executive Officer, President and Director

Thank you, Scott. To summarize, we finished with a good quarter in both growth and margin improvement, capping what has been an excellent year. Our results confirm we remain on the right path to achieve our 2018 long-term vision for profitable growth. Our end markets are stable, and we continue to remain focused on executing new product development, implementing Lydall's Lean Six Sigma, driving geographic expansion and putting our very strong balance sheet to good use.
With that, I'll turn the call back over to the operator to begin our question-and-answer session.

Question and Answer

Operator

[Operator Instructions] We have a question from Robert Majek from CJS.

Robert S. Majek
CJS Securities, Inc.

You mentioned that the company is experiencing stable demand entering 2016 relative to the back half of 2015. Could you maybe break that down more and give us that comparison by segment and perhaps your expectations for the full year?

Dale G. Barnhart
Chief Executive Officer, President and Director

Well, the automotive market, as we see today, is very -- is robust. I mean as I mentioned on the script, we are seeing growth in both sales and factory production in Europe and North America. With that, we've gained new applications in both of those regions of the world. And therefore, we anticipate the first quarter and the full year, if the industry holds true to that, that we will have improvement year-over-year on our automotive space.

With regard to Industrial Filtration, we've started a little slow in North America on the filtration, but some of that is product mix. We're seeing a lower revenue value, but the actual material that we're producing, yards of material, are stable or slightly increasing and at a little better margin. So all in all, we're not too nervous about Industrial Filtration in North America. And it continues to benefit by supplying product to our Fibers business in automotive. In Europe and Asia, we were actually seeing a little bit of uptick in the first part of the year on Industrial Filtration. For the full year, I think, what we have to watch in Industrial Filtration is our business in China. Right now, we can see it 2 different ways. One, we've all heard about the economic pressure that's going on in China so that could have a negative impact. But on the other hand, what we produce in China Industrial Filtration is for pollution control. And I think, we all know that China has a major issue there as far as pollution control. And if the government continues to enforce their clean air standards, despite a slowdown in the economy, we could see an upturn in our business in China. Today, as we sit in China, our backlog is stronger than it was the same period last year. But we are seeing some customers delay some of the releases on that. So all in all, we feel good about IF 2016. And then Performance Materials, again, a little slow start in North America in filtration and our energy-related products that are impacted by lower oil prices. We're continuing to see that, but we will be lapping that pretty soon, and we expect that, that will be stable with 2015. Europe is a bright spot for us. It continues to be strong. Our operations in Europe are now running 24/7. We've added a shift there, and we're actually supplying some product out of North America to support the demand we're seeing in Europe. So we're cautious. We're really watching that business. We're quite excited about the new leader we have for Performance Materials. And I think, that individual, Paul Marold, will bring great insight into how we can return growth to that business. Once we do because of the lean initiatives that we've driven in that business, we'll leverage that very well to the bottom line.

Robert S. Majek
CJS Securities, Inc.

That was helpful. And on your international expansion plans for the Thermal/Acoustic Fibers, business, could you just give us a little more color on the potential opportunity, the investment size and the timing?

Dale G. Barnhart
Chief Executive Officer, President and Director

Well, we have sales people on the ground now, both in Asia and in Europe, to start promoting the product, calling on the OEMs, both in Europe and in China to promote our molded products. The process is when companies come out with a new platform, they'll request different companies to quote. And so we're making sure that we're getting on that list to be able to quote on new platforms, and we'll start that process. I mean, one of the nice things that occurred in 2015 was that our Fibers group worked with our Metals group in Germany to win a award that's being produced in North America on a major German OEM for molded wheel wells. So we've already made that contact in Germany, and we'll continue to support that. As far as timing of revenue, Rob, it's really going to be 2018 or '19 just because of the time that it takes for a new platform to be designed and launched and go into production. As far as the capital investment, our process for our molded fiber products for automotive has 2 steps. One, we start with the needle felt, and we have capacity both in Europe and Asia to support that rolled goods through Industrial Filtration. So the capital investment we will require would be molding lines to put in place. We have bricks-and-mortar in place, both in Europe and China, that can receive these molding lines. And the molding lines investment are about $2 million and the amount of revenue varies depending on the size of part and so on that we're running. So for incremental capital investment, we could see very significant opportunities. So we're excited about it. We have a great track record in North America. We deliver very high quality and innovative products in that space. We see no reason why we shouldn't be able to win applications in Europe and in China.

Robert S. Majek
CJS Securities, Inc.

Great. And you touched on it a little bit already. But given the recent results in Performance Materials and Paul Marold's appointment, can you give us an update on your overall strategy to improve performance in that segment and if that's changed at all?

Dale G. Barnhart
Chief Executive Officer, President and Director

Well, we have improved performance in that business through Lean Six Sigma. So we're very happy with the operational performance. So the focus has to be on top line growth and that's what Paul brings to the space. He has an in-depth knowledge of not only filtration but nonwoven materials. He has experience with -- worked for Ahlstrom for several years, which is one of the global leaders in wet-laid nonwoven applications from filtration to life sciences to medical, and he's going to bring that to the organization. We are clearly focused, and we have line of sight of some key opportunities that we're going through qualification now with OEMs that, if we're successful, will have a dramatic impact in the last half of the year this year and would drive sales growth into that business. But as we've learned and which really drove the impairment on the membrane on Solutech is the commercialization cycle on some of these new filtration opportunities just take a long time. But we're cautiously optimistic that 2016 will be the turning point for that business as it relates to top line.

Operator

[Operator Instructions] Our next question is from Edward Marshall from Sidoti & Company.

Edward Marshall
Sidoti & Company, LLC

So I won't ask you to reiterate kind of the automotive industry data that's out there. But if I think about the build rates and then I kind of think about some of the new products you're introducing, I'm curious if there is a way to measure the opportunity from maybe call it percent of penetration or maybe content growth that you're going to have with some of these things, like the interior flooring in truck?

Dale G. Barnhart
Chief Executive Officer, President and Director

Yes, we really don't quantify that for the market, but we're relatively confident that year-over-year we should see decent revenue growth, both in the Fibers and Metals business because of some of the applications we've won. I mean, that's what's driven the significant increase in capital spend has been principally in the Fibers area and the Metals area as we put in a whole new line for the molded flooring project in Fibers and high-speed automated line for large dual wall parts that we won at Fiat Chrysler and Honda.

Edward Marshall
Sidoti & Company, LLC

Right. So this is I would assume the general host of characters, they're pretty much the same customers in each of the 2 divisions, so I mean, I think your Fibers division is a large customer. Or is it split among multiple different suppliers or customers, rather for the product?

Dale G. Barnhart
Chief Executive Officer, President and Director

Well, the flooring product is one of our major customers on the Fibers side. As I said, Fiat Chrysler and Honda -- Honda is we're gaining share with Honda. So that's -- they've been a customer of ours for a while, but this is a significant pick up with our penetration into Honda, and it's been an ongoing strategy of the Metals business not only to sell dual wall products, which we're doing, but also to penetrate some of the Asian and European transplants that have been here for a while in the U.S. And we're also been successful in winning new fiber applications outside of the one major OEM we have.

Edward Marshall
Sidoti & Company, LLC

Got it. And so -- and by the way, the tooling sales that you've incurred in the quarter, you said they were related to these 2 business lines, correct? And if I look at the organic sales comparison in the back, in the last page of the release, I'm assuming that's what you're kind of ex-ing out of the organic assumption there?

Dale G. Barnhart
Chief Executive Officer, President and Director

No, the capital -- 2 different things. The capital spend was for the high-speed line for those 2 particular applications that we talked about. The tooling is for various parts across the entire business from China to Germany, France and the U.S., where we're getting new parts that we've won, and this is tooling that the customer pays for and owns that we put in our process to produce the part. So that tooling really does support the organic growth of our business going forward.

Edward Marshall
Sidoti & Company, LLC

You said -- I mean, is the China drag done from a tooling perspective? I mean, [indiscernible] 50 basis points drag in this quarter. Are you anticipating that kind of to leak into Q1?

Dale G. Barnhart
Chief Executive Officer, President and Director

Well, we should be improving substantially. Actually, in the fourth quarter, we had 1 month where we were actually profitable in China. I mean, the good news is one of the big sources of the underperformance in 2015 was our delay in getting local OEMs to approve local sourcing of raw material, and we spent -- we paid quite a premium for importing metal from Germany to support the start-up. That's behind us now. Plus, we're seeing more volume come into the plant. So we're quite excited about the ramp-up there. It'll be at a minimum breakeven for the full year.

Edward Marshall
Sidoti & Company, LLC

And that's behind you as of when, the sourcing because...

Dale G. Barnhart
Chief Executive Officer, President and Director

It's behind us now. It is behind us. We may have a little bit of products or materials still in inventory that will hit our P&L as we absorb it. But as far as any material coming in from Germany, that has ended. We're using...

Edward Marshall
Sidoti & Company, LLC

The 50 basis points challenge in Q4, that was the last of it and then maybe some inventory adjustments [indiscernible]?

Dale G. Barnhart
Chief Executive Officer, President and Director

We'll also just still ramp up. I mean, we're still ramping up. Each month volume is going up. And until we get to a certain point and volume, we'll need that to ensure stability as far as ongoing profitability of that business. And we're encouraged. We're seeing that.

Edward Marshall
Sidoti & Company, LLC

Got it. And then finally, I wanted to talk about maybe capital deployment. In the absence of acquisitions, I mean, how you return some of the cash that you've generated? And then with the absence of having to pay down much debt, I mean, I think you only have pocket change left. What's your thirst for a deal? I mean, I know we talked about this. I know you make acquisitions. But how thirsty are you actually to go out and actually just execute a deal just for the sake of having to do it and having the availability of cash?

Dale G. Barnhart
Chief Executive Officer, President and Director

It is a high priority. It's where I'm spending a lot of my personal time today is on our organic growth and our inorganic growth programs. At the same time, we also are very sensitive that in doing an acquisition, we have to do one that will give a return for our shareholders. So while we're very anxious to do one, we're also very anxious to do a good deal. And as I mentioned, we do have a very good pipeline now of some very interested opportunities that we are aggressively pursuing.

Edward Marshall
Sidoti & Company, LLC

And could you kind of talk about whether that's a domestic opportunity or an international opportunity?

Dale G. Barnhart
Chief Executive Officer, President and Director

It wouldn't be appropriate for me to say at this time.

Operator

And showing no further questions, this will conclude our question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

Dale G. Barnhart
Chief Executive Officer, President and Director

Again, thank, everybody, for participating. And we had an excellent 2015, and we will continue to drive continuous improvement in our business going forward. Thank you.

Operator
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect your lines.